

Message Text

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USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

AMEMBASSY MEXICO

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AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN JOSE

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AMEMBASSY ABIDJAN

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TAGS: FAO, OCON

SUBJECT: WORKING PARTY OF FAO INTERGOVERNMENTAL GROUP ON BANANAS,

JULY 5-9, 1976

REF: ROME 10979

SUMMARY: MEETING CHARACTERIZED BY HIGH DEGREE OF IMPORTER UNITY. ALTHOUGH EXPORTERS REMAINED COMMITTED TO QUOTA APPROACH, EVIDENT INTERNAL DISAGREEMENTS ON MEANS TO THAT END PREVENTED EFFECTIVE EXPORTER DEFENSE OF APPROACH AGAINST IMPORTER QUESTIONING. IMPORTERS KEYED ON NEED FOR EXPORTERS TO DEVELOP PRODUCTION POLICIES TO IMPLEMENT THEIR STATED GOALS. EXPORTER RESPONSES WERE GENERALLY INADEQUATE. RESULT WAS STANDOFF, WITH ONLY FEW IMPORTERS (JAPAN, SWEDEN, NORWAY, CANADA) SUPPORTING QUOTA APPROACH AT THIS STAGE. SOME IMPORTERS (PARTICULARLY EC, UK AND FRG) PREOCCUPIED WITH KEEPING BANANA WORK IN FAO RATHER THAN UNCTAD (SEE SEPTELS). FINAL CONSENSUS CALLS FOR ANOTHER MEETING OF FAO WORKING PARTY TO DISCUSS ELEMENTS WHICH MIGHT ENTER INTO AN INTERNATIONAL ARRANGEMENT, INCLUDING PRODUCTION AND EXPORT GOALS COMPATIBLE WITH WORLD BANANA REQUIREMENTS, EXAMINATION OF APPROPRIATE ECONOMIC MEASURES, CONSUMPTION PROMOTION, DIVERSIFICATION, AND QUALITY IMPROVEMENT. NO MENTION WAS MADE OF QUOTAS. WORK ON BANANAS TO CONTINUE IN FAO. FAO SECRETARIAT, WITH POSSIBLE CONTRIBUTIONS FROM WORKING PARTY MEMBERS, IS EXPECTED TO PRODUCE ANOTHER PAPER ON WHAT ELEMENTS MIGHT BE EMBODIED IN AN INTERNATIONAL ARRANGEMENT FOR THE NEXT MEETING OF THE GROUP. END SUMMARY.

1. IMPORTER MEMBERS OF WORKING PARTY KEYED ON FAO STATEMENT IN DOCUMENTS PREPARED FOR CONFERENCE TO EFFECT THAT THE SUCCESS OF ANY INTERNATIONAL BANANA ARRANGEMENT DEPENDED ON THE WILLINGNESS OF EXPORTERS TO ADOPT REALISTIC PRODUCTION OBJECTIVES IN THE LIGHT OF MARKET NEEDS. EXPORTERS, DUE TO SERIOUS INTERNAL DISAGREEMENT AMONG CENTRAL AMERICANS OVER PRODUCTION EXPANSION AND HYPOTHETICAL QUOTA SHARES AND BETWEEN FREE MARKET AND PREFERENTIAL SUPPLIERS OVER TRADE BARRIERS, WERE UNABLE TO DIVERT THE UNIFIED IMPORTER THRUST.

2. THE U.S. DELEGATE STRESSED SEVERAL ALTERNATIVES TO MARKET RESTRICTION, SUCH AS A CREATIVE, WELL ORGANIZED, WELL FINANCED PROMOTION CAMPAIGN, PARTICULARLY IN LOW PER CAPITA CONSUMPTION LIMITED OFFICIAL USE
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MARKETS, DIVERSIFICATION INTO OTHER CROPS, AND TRADE BARRIER REMOVAL. LITTLE IMPORTER SUPPORT CAME ON THESE POINTS. HOWEVER, THE UNION OF BANANA EXPORTING COUNTRIES (UPEB) DELEGATE AND THE IVORY COAST DELEGATE (CHAIRMAN OF THE CONFERENCE), SUPPORTED THE U.S. APPROACH AS A POSITIVE FIRST STEP.

3. THE MOST EAGER SUPPORT FOR QUICK ACTION CAME FROM THE PHILIPPINES, ECUADOR AND JAMAICA ON THE PART OF WORKING PARTY MEMBERS, AND FROM SWEDEN, THE CAMEROONS, MEXICO, NORWAY AND CANADA AMONG OBSERVERS. SECRETARIAT EFFORTS CONCERTED WITH CONSUMER DESIRES AND SPLIT IN POSITION TO KEEP BANANA DISCUSSIONS IN THE FAO FOR THE TIME BEING. (SEE REFTEL). THE EC, FRG AND UK RE-

PRESENTATIVES WERE PARTICULARLY ADAMANT ON THE POINT THAT BANANA DISCUSSIONS BE KEPT OUT OF UNCTAD. MEXICO, JAMAICA, SWEDEN AND NORWAY ALL TRIED TO LINK BANANA EFFORT.

4. FINAL SUB-GROUP OF EXPORTERS REPORT REFLECTS SEVERE SPLIT BETWEEN FREE MARKET AND PREFERENTIAL SUPPLIERS. PARTICULARLY SERIOUS WAS THE CONFRONTATION BETWEEN UPEB AND JAMAICA AND THE IVORY COAST. FURTHER DISAGREEMENTS EVIDENT AMONG LATIN AMERICAN FREE MARKET SUPPLIERS AND WITHIN UPEB RANKS. UPEB DELEGATE FOLLOWED MODERATE LINE AND SUPPORTED CONSUMER CONCLUSIONS WHICH DID NOT MENTION QUOTAS IN RETURN FOR U.S. SUPPORT FOR STRESS ON TRADE BARRIER REMOVAL AND STEPPED UP PROMOTION CAMPAIGNS, POINTS LATINS COULD AGREE UPON. PREFERENTIAL CARIBBEAN AND AFRICAN SUPPLIERS (IVORY COAST, CAMEROONS, JAMAICA, WINDWARD ISLANDS) APPARENTLY SOUGHT TO PROTECT AND FURTHER EXPAND THEIR MARKET SHARES IN PRODUCER DISCUSSIONS. THIS DROVE UPEB AND ECUADOR TOGETHER IN A STANDOFF AGAINST PREFERENTIAL SUPPLIERS. ECUADORIAN DELEGATE USUALLY ADDED CONFUSION TO PICTURE AS HE ATTEMPTED TO SUPPORT OTHER LATINS WHILE PROTECTING HIS UNIQUE FREE MARKET POSITION, AND AT THE SAME TIME, TIRED TO PUSH DISCUSSIONS TOWARD UNCTAD. ECUADORIANS MADE CLEAR THEIR SUPPORT FOR TRADE BARRIER REMOVAL AND CONSUMPTION PROMOTION. THE PHILIPPINES PLAYED A SIGNIFICANT ROLE FOR THE FIRST TIME, STRESSING THE NEED FOR QUOTE ACTION LINKED TO UNCTAD COMMODITY NEGOTIATIONS.

5. THE MOST SIGNIFICANT ASPECT OF THE SESSION WAS THE AMAZING DEGREE OF CONSUMER UNITY. THE CONSUMER MEMBERS OF THE WORKING PARTY (UK, FRG, FRANCE, ITALY, JAPAN AND US) MET IN CAUCUS
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SEVERAL TIMES, EMERGING WITH AN AGREED SET OF CONCLUSIONS WHICH DISORGANIZED PRODUCERS ACCEPTED WITH ONLY MODERATE DEBATE. WHILE ALL CONSUMERS DID NOT SEE EYE TO EYE ON EVERY ELEMENT IN THE FINAL CONSUMER POSITION, EXCEPT FOR JAPAN, NONE OF THE SIX IN CURRENTLY PREPARED TO ENTER INTO AN AGREEMENT BASED ON MARKET RESTRICTIONS, AND EVEN JAPAN DID NOT PRESS THE POINT. IMPORTERS ALL PUT BURDEN OF PRODUCTION ADJUSTMENT SQUARELY ON PRODUCERS DURING IMPORTER PLENARY INTERVENTIONS. THE UNCTAD IV SESSION APPARENTLY HAD A STRONG EFFECT ON COMMUNITY ATTITUDES, WITH THE EC OBSERVER JOINING THE U.S. AND OTHER CONSUMERS IN PUTTING THE PRODUCTION ADJUSTMENT BURDEN SQUARELY ON PRODUCERS. AN OBVIOUS EC DIVERGENCE WAS NOTABLE AS THE NETHERLANDS SPOKE IN FAVOR OF EARLY RESTRICTIVE ACTION. SUPPORT FOR RESTRICTION ALSO CAME FROM OTHER CONSUMER OBSERVERS, SUCH AS CANADA, SWEDEN, AND NORWAY, BUT OBSERVER'S COMMENTS WERE IGNORED IN THE FINAL CONSUMER POSITION. CONSUMERS WERE SO DELIGHTED WITH THEIR UNITY THAT AN IMPORTER GROUP IS EXPECTED TO CONTINUE TO FUNCTION AT FUTURE MEETINGS.

6. THE FAO SECRETARIAT IS EXPECTED TO PREPARE A DOCUMENT INCOR-

PORATING IDEAS ON THE ELEMENTS WHICH MIGHT BE EMBODIED IN AN INTERNATIONAL BANANA ARRANGEMENT FOR THE NEXT MEETING. THE SPECIFIC ELEMENTS INCLUDE: ESTABLISHMENT OF PRODUCTION AND EXPORT GOALS BY PRODUCING COUNTRIES COMPATIBLE WITH WORLD CONSUMPTION REQUIREMENTS; PROVISION FOR THE EXAMINATION OF APPROPRIATE ECONOMIC MEASURES DESIGNED TO SECURE PRICES REMUNERATIVE TO PRODUCERS AND REASONABLE FOR CONSUMERS; IMPROVEMENT OF QUALITY FOR BANANAS; SCHEMES FOR THE PROMOTION OF CONSUMPTION AND PLANS TO INCREASE CONSUMPTION; AND DIVERSIFICATION SCHEMES. AFTER CIRCULATION OF THE PAPER THE WORKING PARTY WILL AGAIN MEET BETWEEN NOVEMBER 1976 AND JANUARY 30, 1977.

COMMENT: GIVEN U.S. POSITION IN POSITION TO QUOTAS, U.S. DELEGATE BELIEVES WORKING PARTY'S REPORT AND DECISION TO CONTINUE BANANA WORK IN FAO IS A FAVORABLE CONCLUSION. HOWEVER, AT NEXT MEETING AT END OF YEAR, U.S. WILL AGAIN BE FACED WITH PROBLEM OF MEETING EXPORTERS' DEMANDS, PROBABLY SUPPORTED BY MANY IMPORTERS, FOR PROGRESS ON QUOTE TYPE COMMODITY AGREEMENT. BEAUDRY

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